

Inbank AS

# Interim Report

Q1 2020

# Inbank AS General Information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	05 October 2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI-code)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Reporting period	01.01.2020-31.03.2020

## Members of the Supervisory Board:

Priit Põldoja, Chairman  
Roberto de Silvestri  
Triinu Reinold  
Raino Paron  
Rain Rannu

## Members of the Management Board:

Jan Andresoo, Chairman  
Liina Sadrak  
Marko Varik  
Piret Paulus  
Jaanus Kõusaar

The reporting currency is the euro (EUR), with units presented in thousands.

Inbank AS' interim report for Q1 2020 is unaudited.

The bank does not hold any ratings assigned by international rating agencies.

# Declaration of the Management Board

The Management Board of Inbank AS is of the opinion that:

- the data and information presented in this interim report for the Q1 of 2020 consisting of the management report and financial statements as at 31 March 2020 are correct and complete;
- this interim report gives a true and fair view of the financial position of the Inbank AS consolidation group as at 31 March 2020, its financial performance and cash flows for the Q1 of 2020;
- the accounting policies and procedures used in preparing the interim report comply with IAS 34;
- the interim report has been prepared using the policies and procedures of the financial statements for the year concluded on 31 December 2019.

Inbank AS is a going concern.

Tallinn, 06 May 2020

Jan Andresoo	Chairman of the Management Board
Liina Sadrak	Member of the Management Board
Marko Varik	Member of the Management Board
Piret Paulus	Member of the Management Board
Jaanus Kõusaar	Member of the Management Board

# Management report

We will all likely remember the first quarter of 2020 for a long time. The events that began in the middle of March are in many ways special and never before seen. While the first two and a half months of the year passed as forecasted – the business volumes, growth rate and other key figures were in line with our plans – the global coronavirus outbreak reached Inbank's markets in the second half of March and rapidly brought us to the new reality.

An emergency situation was established in all our markets in the middle of March; the locked economic activity, closed borders and movement restrictions clearly serve the interests of protecting society, but its impact on the economic environment should not be underestimated. Many companies are currently facing decreased sales volumes and have laid off staff or reduced wages. It is still too early to make far-reaching conclusions, but it is clear that the crisis will affect many sectors in one way or another.

## Impact assessment of the COVID-19 outbreak

As I mentioned in the introduction, it is a significant event, and its full impact remains to be seen and will depend on various factors, such as the duration of the emergency situation, the speed of reactivating the economy and the ability of companies to survive.

In order to safeguard the health of our employees and customers, we decided to switch entirely to remote work at the very beginning of the crisis. As a digital bank, we serve both our partners and customers remotely, while all our financing solutions are still available to our customers without leaving home. It has been positive to see that the transition to working remotely went very smoothly and our IT systems were able to support the change.

We also reviewed our 2020 key objectives and made some swift corrections to our focus. We decided to focus significantly more on our core business and projects related to our B2B2C strategy. Although we will be more conservative regarding new investments, we will continue to implement our 2020 strategic priorities to a significant extent.

Seeing how sales volumes dropped day after day, it became clear that it would be reasonable to save and to suspend above the line marketing activities. We also found ways to save on administrative expenses. In terms of our team, we do not plan any layoffs or reductions in wages. We will more likely see quite a few new talents joining Inbank this year.

## Impact on credit risk

So far, our debt management has significantly relied on the possibility to sell contracts in default to specialised handlers. It is common for the availability of capital to decrease in a complicated crisis situation and this, in turn, affects the sales market for debt-claims. As the debt-claim market is currently trying to find its equilibrium point, we decided to temporarily suspend the sales of some debt-claims. This approach gives us the chance to gather data about actual debt recovery and achieve a better recovery rate over the long-term.

It is important to note that due to the aforementioned change, the unsold overdue portfolio will remain in our balance sheet. Thus, the figures make it seem as if the share of the overdue portfolio has significantly increased compared to the end of the previous quarter. This is de facto true, but it is important to understand that the growth of the overdue portfolio in the current stage does not result from a worsening of portfolio quality, but from our new approach to handling overdue debts. Contracts with a higher number of delayed days are covered by provisions for impairment losses, and therefore the ability of these contracts to affect our financial results in future periods is limited.

In these uncertain times, we have also partially reviewed our rules for issuing new loans. In many cases, where we used to offer fully automated credit decisions, we have now turned on the manual control function. This will certainly somewhat impact the sales volumes in subsequent periods, but it will also likely have a positive effect ultimately on the quality of the portfolio.

**In conclusion, we see a significant deceleration of growth and an increase in the share of impairment losses in 2020, but according to the current analysis, we will manage to get through the crisis while maintaining reasonable profitability. Time will show what the reality will be.**

## Q1 financial results

Looking at the pre COVID-19 period, we can definitely be satisfied with Inbank's Q1 results. In January and February we kept up with the schedule planned and grew our sales by an average of 36% compared to last year. The second half of March was, however, already affected by the current crisis. In total, we sold credit products in the amount of 67 million euros in the first quarter, corresponding to an annual growth of 15%. Product-wise, the sales finance business line exhibited a 20% growth, growing as much as 101% in Poland. Car financing increased by 10% and the personal loan business line by a more moderate 6% in comparison with previous year Q1.

As our sales volume grew by 15%, our income increased by 30%. The growth of expenses still exceeded that of income, increasing

by 33%. Likewise, the cost/income ratio increased a little: from 48.6% to 49.8%. In light of the new reality, there will naturally be less growth in expenses which will improve that ratio.

Two important factors influenced the Q1 results in terms of profit. First, we sold 100% of AS Inbank Liising shares, bringing us an extraordinary profit of 375,000 euros. Second, in light of the new crisis, we increased the weights of negative scenarios used for calculating macroeconomic impact estimates in the calculation of provisions for loan impairments. We took this step regardless of the fact that at the end of the quarter, the loan portfolio did not de facto show the effects of the crisis. However, it was clear that the event will have a significant impact. The review of the macroeconomic impact estimates increased the impairment losses on loans and advances by 102% year-on-year; the loan portfolio grew by 40% during the same period. In total, we earned a net profit of 2.2 million euros in the first quarter, which is 8% more than Q1 2019.

Due to the new economic situation and decreased sales volumes in March, the loan portfolio increased by 2% during this quarter. Equity grew by 4% in Q1 and amounted to 49.3 million euros as at the end of March. In the course of Q1 2020, the balance sheet decreased by 2%, mainly on account of the liquidity buffer, and was 451 million euros at the end of the quarter.

**We are facing difficult times that will test our ability to adjust to the new reality and a complex economic situation. Focusing on our strategic priorities and on supporting our partners' businesses while continuing to invest in product development is the Inbank formula for coping with these challenging times. I believe this to be a good starting point for the next growth phase.**

**Jan Andresoo**

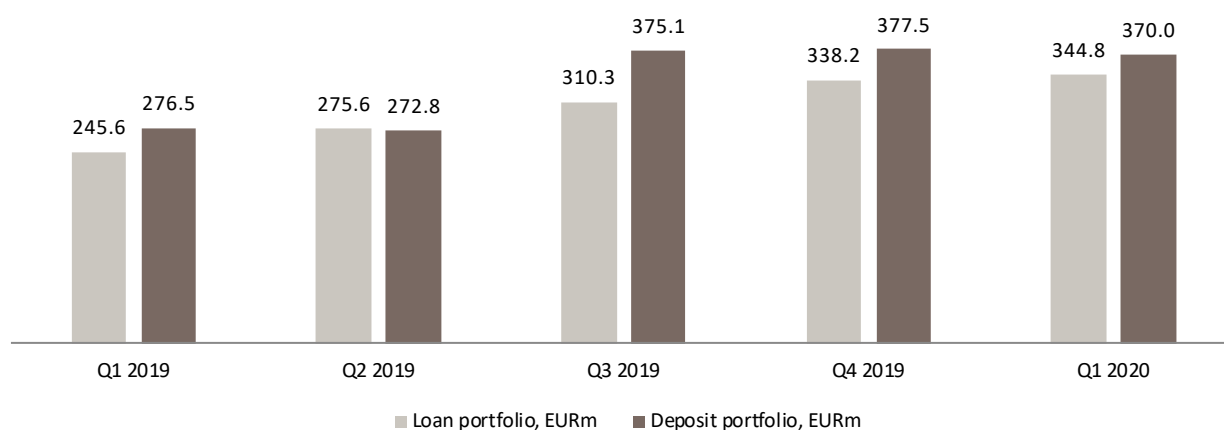
Chairman of the Management Board

# Key financial indicators

## Key financial indicators and ratios

In millions of euros	31.03.2020	31.03.2019	% change
Total assets	451.8	340.7	32.6%
Equity	49.4	38.4	28.6%
Net profit	2.2	2.0	7.9%
Loan portfolio	344.8	245.6	40.4%
Deposit portfolio	370.0	276.5	33.8%

## Loan and deposit portfolio development



## Ratios

	3 months 2020	3 months 2019
Return on equity	18.1%	21.9%
Return on total assets	1.9%	2.5%
Net interest margin	8.2%	8.7%
Impairment losses to loan portfolio	2.8%	2.1%
Cost/income ratio	49.8%	48.6%
Equity to total assets	10.9%	11.3%

Explanations (key ratios are annualized):

**Return on equity:** net profit attributable to owners of the parent / total equity attributable to owners of the parent (average over the period)

**Return on total assets:** net profit attributable to owners of the parent / total assets (average over the period)

**Net interest margin:** net interest income / interest-bearing assets (average over the period)

**Impairment losses to loan portfolio:** impairment losses on loans / loan portfolio (average over the period)

**Cost/income ratio:** total operating expenses / total income

**Equity to total assets:** total equity attributable to shareholders of parent company / total assets

# Condensed consolidated interim financial statements

## Condensed consolidated statement of financial position

In thousands of euros	Note	31.03.2020	31.12.2019
<b>Assets</b>			
Due from central banks	8	64,033	83,080
Due from credit institutions	8	21,809	20,655
Loans and advances	3; 7; 21	344,799	338,157
Investments in associates	9	3,317	3,276
Tangible assets		916	840
Right of use asset		687	773
Intangible assets	10	12,886	11,721
Other financial assets	11	840	1,692
Other assets	11	715	588
Deferred tax asset		1,839	1,985
<b>Total assets</b>	<b>3</b>	<b>451,841</b>	<b>462,767</b>
<b>Liabilities</b>			
Customer deposits	13; 21	370,037	377,518
Other financial liabilities	16; 21	7,932	13,545
Other liabilities	16	2,889	2,837
Debt securities issued	14	4,010	4,010
Subordinated debt securities	15	17,535	17,537
<b>Total liabilities</b>	<b>3</b>	<b>402,403</b>	<b>415,447</b>
<b>Equity</b>			
Share capital	19	903	903
Share premium	19	15,908	15,908
Statutory reserve capital	20	90	88
Other reserves	20	1,400	1,463
Retained earnings		31,137	28,958
<b>Total equity</b>		<b>49,438</b>	<b>47,320</b>
<b>Total liabilities and equity</b>		<b>451,841</b>	<b>462,767</b>

Notes set out on pages 11-23 form an integral part of the consolidated financial statements.

## Condensed consolidated statement of profit and loss and other comprehensive income

In thousands of euros	Note	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Interest income	4	10,887	10,887	8,155	8,155
Interest expense	4	-1,936	-1,936	-1,390	-1,390
Net interest income		8,951	8,951	6,765	6,765
Fee income	5	294	294	204	204
Fee expense	5	-490	-490	-375	-375
Net fee and commission income		-196	-196	-171	-171
Other operating income		140	140	245	245
Total net interest, fee and other income		8,895	8,895	6,839	6,839
Personnel expenses	6	-2,399	-2,399	-1,856	-1,856
Marketing expenses	6	-507	-507	-391	-391
Administrative expenses	6	-1,047	-1,047	-799	-799
Depreciations, amortisation	10	-479	-479	-277	-277
Total operating expenses		-4,432	-4,432	-3,323	-3,323
Profit before profit from associates and impairment losses on loans		4,463	4,463	3,516	3,516
Share of profit from associates		416	416	0	0
Impairment losses on loans and advances	7	-2,419	-2,419	-1,195	-1,195
Profit before income tax		2,460	2,460	2,321	2,321
Income tax	3	-279	-279	-299	-299
Profit for the period		2,181	2,181	2,022	2,022
incl. shareholders of parent company		2,181	2,181	2,022	2,022
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		-116	-116	-1	-1
Total comprehensive income for the period		2,065	2,065	2,021	2,021
incl. shareholders of parent company		2,065	2,065	2,021	2,021

Notes set out on pages 11-23 form an integral part of the consolidated financial statements.



## Condensed consolidated statement of cash flows

In thousands of euros	Note	3 months 2020	3 months 2019
Cash flows from operating activities			
Interest received	4	11,214	8,099
Interest paid	4	-1,143	-1,339
Fees received	5	294	204
Fees paid	5	-490	-375
Other income received		140	245
Personnel expenses	6	-2,756	-1,737
Administrative and marketing expenses	6	-1,738	-1,376
Corporate income tax paid		-285	-387
Cash flows from operating activities before changes in the operating assets and liabilities		5,236	3,334
Changes in operating assets			
Loans and advances		-9,218	-20,527
Mandatory reserve in central banks		299	-659
Other assets		871	-31
Changes of operating liabilities			
Loan from credit institution	12	0	-10,429
Customer deposits		-8,713	35,691
Other liabilities		-5,021	-40
Net cash from operating activities		-16,546	7,339
Cash flows from investing activities			
Acquisition of tangible and intangible assets	10	-1,578	-598
Acquisition of subsidiaries	9	400	-118
Net cash used in investing activities		-1,178	-716
Cash flows from financing activities			
Debt securities issued		0	4,000
Repayments of debt securities		0	-10,000
Net cash used in financing activities		0	-6,000
Effect of exchange rate changes		132	-1
Cash and cash equivalents at the beginning of the reporting period	8	99,168	76,372
Net increase/decrease in cash and cash equivalents		-17,592	622
Cash and cash equivalents at the end of the reporting period	8	81,576	76,994

Notes set out on pages 11-23 form an integral part of the consolidated financial statements.

## Condensed consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings/ accumulated loss	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance, 01.01.2019	874	15,053	79	1,401	19,018	36,425	40	36,465
Paid in share capital	0	0	0	0	0	0	0	0
Share-based payment reserve	0	0	0	9	0	9	0	9
Statutory reserve capital	0	0	9	0	-9	0	0	0
Purchase of non-controlling interest in subsidiaries	0	0	0	0	-78	-78	-40	-118
Total profit for the reporting period	0	0	0	0	2,022	2,022	0	2,022
Other comprehensive income	0	0	0	-1	0	-1	0	-1
Balance, 31.03.2019	874	15,053	88	1,409	20,953	38,377	0	38,377
Balance, 01.01.2020	903	15,908	88	1,463	28,958	47,320	0	47,320
Paid in share capital	0	0	0	0	0	0	0	0
Share-based payment reserve	0	0	0	53	0	53	0	53
Statutory reserve capital	0	0	2	0	-2	0	0	0
Total profit for the reporting period	0	0	0	0	2,181	2,181	0	2,181
Other comprehensive income	0	0	0	-116	0	-116	0	-116
Balance, 31.03.2020	903	15,908	90	1,400	31,137	49,438	0	49,438

Notes set out on pages 11-23 form an integral part of the consolidated financial statements.

## Note 1 Accounting policies

The interim financial report has been prepared in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting", as adopted by the EU, and consists of condensed financial statements and selected explanatory notes. The accounting policies used in the preparation of the interim report are the same as the accounting policies used in the annual report for the year ended 31 December 2019, which comply with the International Financial Reporting Standards, as adopted by the European Commission (IFRS EU).

The interim financial report is not audited, and does not contain the entire range of information required for the preparation of complete financial statements. The interim financial report should be read in conjunction with the Annual Report prepared for the year ended 31 December 2019, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

In addition to Inbank AS, the Inbank AS consolidation group includes following companies:

Company name	Date of purchase/founded	Location	Activity	Holding (%)	Cost (EURt)
SIA Inbank Latvia	21.08.2014	Latvia	Financing	100	519
AS Inbank filialas	15.11.2019	Lithuania	Banking, branch		
AS Inbank Spółka Akcyjna Oddział w Polsce	08.09.2016	Poland	Banking, branch		
Inbank Technologies OÜ	05.06.2015	Estonia	Hardware rental	100	2,915
Maksekeskus Holding OÜ *	05.06.2015	Estonia	Holding company	100	3,276
Inbank Payments OÜ	27.08.2019	Estonia	Holding company	100	3

\* Maksekeskus Holding OÜ has 29.8% shareholding in Maksekeskus AS.

Inbank sold 100% of its subsidiary Inbank Liising AS. The transfer of ownership in Inbank Liising AS does not have a significant impact on the economic activities of Inbank AS.

## Note 2 Significant accounting estimates

According to the IFRS, many of the financial indicators given in the report are based on strictly accounting-related management estimates and opinions, which have an impact on the value of the assets and liabilities presented in the financial statements as of the balance sheet date and on the income and expenses of the subsequent financial years. Although these estimates are based on the best knowledge of the management and conclusions from ongoing events, the actual result may not coincide with them in the end, and may differ significantly from these estimates.

The management consistently reviews such decisions and estimates, including the ones that have an influence on the fair value of financial instruments, the write-down of impaired loans, impairment of tangible and intangible assets, deferred taxes and share-based payments.

The management relies on past experience and the other factors it considers reasonable in the given situation when making these decisions and estimates.

## Note 3 Business segments

Inbank divides its business activities into segments according to the geographical location of activities in Estonia, Latvia, Lithuania and Poland. Business segments are Inbank companies with separate financial data, which is also the basis upon the regular monitoring of business results by the decision makers of Inbank. Inbank monitors profitability, cost/benefit ratio, growth and quality of credit portfolio and impairment losses for each operating segment.

The revenues of the reported segments contain revenues from transactions between the segments. Such transactions include loans given by Inbank, as well as services provided to the companies of the consolidation group by Inbank Technologies. The above transactions are accounted for at market prices.

Inbank does not have any customers, whose income accounts for more than 10% of the respective type of Inbank consolidated income.

### Income of reported segments and net profit structure

In thousands of euros

3 months 2020	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Interest income	5,869	1,296	4,138	991	-1,407	10,887
incl. interest income from external customers	4,462	1,296	4,138	991	-1,407	9,480
incl. internal interest income	1,407	0	0	0	0	1,407
Fee income	225	64	0	5	0	294
Other operating income	168	24	15	3	-70	140
<b>Total income</b>	<b>6,262</b>	<b>1,384</b>	<b>4,153</b>	<b>999</b>	<b>-1,477</b>	<b>11,321</b>
Interest expense	-1,618	-216	-1,192	-317	1,407	-1,936
Fee expense	-97	-41	-240	-112	0	-490
<b>Total expenses</b>	<b>-1,715</b>	<b>-257</b>	<b>-1,432</b>	<b>-429</b>	<b>1,407</b>	<b>-2,426</b>
<b>Total net interest, fee and commission income and other income</b>	<b>4,547</b>	<b>1,127</b>	<b>2,721</b>	<b>570</b>	<b>-70</b>	<b>8,895</b>
Operating expenses	-2,472	-425	-1,266	-339	70	-4,432
incl. depreciations, amortisation	-286	-37	-129	-27	0	-479
Profit before profit from associates and impairment losses on loans	2,075	702	1,455	231	0	4,463
Profit of associates	416	0	0	0	0	416
Impairment losses on loans and advances	-933	-134	-784	-568	0	-2,419
Income tax	-238	0	-99	58	0	-279
<b>Net profit/loss</b>	<b>1,320</b>	<b>568</b>	<b>572</b>	<b>-279</b>	<b>0</b>	<b>2,181</b>
<b>Total assets</b>	<b>389,984</b>	<b>30,126</b>	<b>141,867</b>	<b>49,727</b>	<b>-159,863</b>	<b>451,841</b>
<b>Total liabilities</b>	<b>347,453</b>	<b>27,055</b>	<b>127,661</b>	<b>55,352</b>	<b>-155,118</b>	<b>402,403</b>

In thousands of euros

3 months 2019	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Interest income	4,485	1,072	3,102	445	-949	8,155
incl. interest income from external customers	3,536	1,072	3,102	445	0	8,155
incl. internal interest income	949	0	0	0	0	949
Fee income	159	45	0	0	0	204
Other operating income	129	20	134	0	-38	245
<b>Total income</b>	<b>4,773</b>	<b>1,137</b>	<b>3,236</b>	<b>445</b>	<b>-987</b>	<b>8,604</b>
Interest expense	-1,215	-164	-819	-141	949	-1,390
Fee expense	-95	-37	-183	-60	0	-375
<b>Total expenses</b>	<b>-1,310</b>	<b>-201</b>	<b>-1,002</b>	<b>-201</b>	<b>949</b>	<b>-1,765</b>
<b>Total net interest, fee and commission income and other income</b>	<b>3,463</b>	<b>936</b>	<b>2,234</b>	<b>244</b>	<b>-38</b>	<b>6,839</b>
Operating expenses	-1,617	-389	-982	-373	38	-3,323
incl. depreciations, amortisation	-130	-38	-91	-18	0	-277
Profit before profit from associates and impairment losses on loans	1,846	547	1,252	-129	0	3,516
Profit of associates	0	0	0	0	0	0
Impairment losses on loans and advances	-583	-96	-123	-393	0	-1,195
Income tax	-181	0	-118	0	0	-299
<b>Net profit/loss</b>	<b>1,082</b>	<b>451</b>	<b>1,011</b>	<b>-522</b>	<b>0</b>	<b>2,022</b>
						0
Total assets	311,277	22,614	103,706	26,041	-122,954	340,684
Total liabilities	270,882	21,479	92,208	30,339	-112,600	302,308

Equity of major subsidiary

In thousands of euros	31.03.2020	31.12.2019
SIA Inbank Latvia	3,072	2,501

## Note 4 Net interest income

In thousands of euros	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Interest income				
Loans to households	10,821	10,821	8,082	8,082
Loans to corporates	98	98	85	85
Due from financial and credit institutions	-32	-32	-12	-12
Total interest income	10,887	10,887	8,155	8,155
Interest expense				
Deposits received	-1,593	-1,593	-1,175	-1,175
Debt securities sold	-337	-337	-214	-214
Lease liability	-6	-6	-1	-1
Total interest expense	-1,936	-1,936	-1,390	-1,390
Net interest income	8,951	8,951	6,765	6,765

In thousands of euros	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Interest income by customer location				
Estonia	4,462	4,462	3,536	3,536
Latvia	1,296	1,296	1,587	1,587
Lithuania	4,138	4,138	2,587	2,587
Poland	991	991	445	445
Total interest income by customer location	10,887	10,887	8,155	8,155

## Note 5 Net fee and commission income

In thousands of euros	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Fee income				
Households	292	292	204	204
Corporates	2	2	0	0
Total fee income	294	294	204	204
Fee expense				
Loan administration expenses	-490	-490	-375	-375
Total fee expense	-490	-490	-375	-375
Net fee income	-196	-196	-171	-171

In thousands of euros	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Fee income by customer location				
Estonia	225	225	158	158
Latvia	64	64	45	45
Lithuania	0	0	0	0
Poland	5	5	1	1
Total fee income by customer location	294	294	204	204

## Note 6 Operating expenses

In thousands of euros	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Personnel expenses				
Personnel expense	1,964	1,964	1,578	1,578
Social and other taxes	435	435	278	278
<b>Total personnel expenses</b>	<b>2,399</b>	<b>2,399</b>	<b>1,856</b>	<b>1,856</b>
Marketing expenses				
Advertising and marketing	413	413	270	270
Sales costs	94	94	121	121
<b>Total marketing expenses</b>	<b>507</b>	<b>507</b>	<b>391</b>	<b>391</b>
Administrative expenses				
Office maintenance and workplace expenses	150	150	148	148
IT expenses	355	355	216	216
Legal and recovery proceeding expenses	98	98	78	78
Training and business trip expenses	82	82	69	69
Supervision expenses	72	72	47	47
Transportation expenses	48	48	46	46
Other tax expenses	153	153	49	49
Other	89	89	146	146
<b>Total administrative expenses</b>	<b>1,047</b>	<b>1,047</b>	<b>799</b>	<b>799</b>

## Note 7 Loans and advances

In thousands of euros	31.03.2020	31.12.2019
Distribution of receivables by customer sector		
Households	342,984	333,014
Corporates	11,757	13,438
<b>Loans and advances before impairment allowance</b>	<b>354,741</b>	<b>346,452</b>
Impairment allowance	-9,942	-8,295
<b>Total loans and advances</b>	<b>344,799</b>	<b>338,157</b>

In thousands of euros	3 months 2020	3 months 2019
Impairment losses on loans and advances		
Impairment losses of reporting period	-3,295	-2,070
Recoveries from written off from financial position	876	875
<b>Total impairment losses on loans and advances</b>	<b>-2,419</b>	<b>-1,195</b>

In thousands of euros	31.03.2020	31.12.2019
Changes in impairments		
Impairment allowance balance in the beginning of the period	-8,295	-5,604
Impairment provisions set up during reporting period	-3,295	-2,070
Written off from financial position during the period	1,648	-621
<b>Total impairment</b>	<b>-9,942</b>	<b>-8,295</b>

Inbank regularly sells receivables that are more than 90 days overdue, with no obligation to repurchase (except for fraud or death of the customer). The difference between pre-transaction and post transaction debt carrying amount is recognised in income statement and the total amount of debt is written off in the statement of financial position.

## Distribution of receivables from households

In thousands of euros						
	Gross receivables	Stage 1	Stage 2	Stage 3	Net receivables	Impairment coverage
31.03.2020						
Distribution of receivables						
0-3 days	300,071	-2,300	-36	-163	297,572	0.8%
4-30 days	25,328	-1,104	-27	-102	24,095	4.9%
31-89 days	10,155	-11	-1,369	-213	8,562	15.7%
90-179 days	3,299	0	-12	-1,387	1,900	42.4%
180+ days	4,131	0	0	-3,192	939	77.3%
<b>Total receivables</b>	<b>342,984</b>	<b>-3,415</b>	<b>-1,444</b>	<b>-5,057</b>	<b>333,068</b>	<b>2.9%</b>
31.12.2019						
Distribution of receivables						
0-3 days	294,981	-2,206	-25	-117	292,633	0.8%
4-30 days	23,874	-957	-17	-65	22,835	4.4%
31-89 days	8,781	-5	-1,026	-105	7,645	12.9%
90-179 days	2,018	0	0	-1,079	939	53.5%
180+ days	3,360	0	0	-2,596	764	77.3%
<b>Total receivables</b>	<b>333,014</b>	<b>-3,168</b>	<b>-1,068</b>	<b>-3,962</b>	<b>324,816</b>	<b>2.5%</b>

## Distribution of receivables from corporates

In thousands of euros						
	Gross receivables	Stage 1	Stage 2	Stage 3	Net receivables	Impairment coverage
31.03.2020						
Distribution of receivables						
0-3 days	11,652	-23	0	0	11,629	0.2%
4-30 days	47	0	0	0	47	0.0%
31-89 days	10	0	0	0	10	0.0%
90-179 days	6	0	0	-1	5	16.7%
180+ days	42	0	0	-2	40	4.8%
<b>Total receivables</b>	<b>11,757</b>	<b>-23</b>	<b>0</b>	<b>-3</b>	<b>11,731</b>	<b>0.2%</b>
31.12.2019						
Distribution of receivables						
0-3 days	12,788	-30	0	0	12,758	0.2%
4-30 days	375	-7	0	0	368	1.9%
31-89 days	154	0	-9	-2	143	7.1%
90-179 days	13	0	0	-5	8	38.5%
180+ days	108	0	0	-44	64	40.7%
<b>Total receivables</b>	<b>13,438</b>	<b>-37</b>	<b>-9</b>	<b>-51</b>	<b>13,341</b>	<b>0.7%</b>

According to management's estimates, overdues up to 3 days do not objectively reflect the quality of customer receivables as overdues of that tenure are often the result of interbank payments processing rules.



## Note 8 Due from central banks and credit institutions

In thousands of euros	31.03.2020	31.12.2019
Due from central banks	64,033	78,515
Mandatory reserve in central banks	4,266	4,565
Due from credit institutions	17,543	20,653
<b>Total due from central banks and credit institutions</b>	<b>85,842</b>	<b>103,733</b>

Cash and cash equivalents in the statement of cash flows include cash in hand, receivables from central banks (excluding the statutory reserve) and short-term (up to 3 months) receivables from other credit institutions.

## Note 9 Business combinations

Further information on Inbank consolidation group has been disclosed in Note 1.

### Inbank Liising AS

Inbank sold its shareholding in Inbank Liising AS in January 2020. Income from sale of the investment in the amount of EUR 375 thousand (3 months 2019: 0 euros) is recognised in income statement as "Profit from associates and subsidiaries".

### Acquisitions and disposals of associates

In thousands of euros	3 months 2020	3 months 2019
<b>Acquisitions</b>		
Equity contribution, associates	110	0
Purchase of non-controlling interest in the share capital of subsidiary	0	118
<b>Total acquisitions</b>	<b>110</b>	<b>118</b>
<b>Disposals</b>		
Received from disposals of subsidiary	400	0
Claim from disposals of subsidiary	380	0
<b>Total disposals</b>	<b>780</b>	<b>0</b>

Inbank has not received dividends from its associates.

## Note 10 Intangible assets

In thousands of euros	Licences	Software	Goodwill	Total
Cost, 01.01.2020	143	6,512	6,157	12,812
Accumulated amortisation	-102	-989	0	-1,091
Opening carrying value	41	5,523	6,157	11,721
Additions	20	1,424	0	1,444
Amortisation charge	-5	-274	0	-279
Closing carrying value	56	6,673	6,157	12,886
Cost, 31.03.2020	163	7,936	6,157	14,256
Accumulated amortisation	-107	-1,263	0	-1,370
Carrying value	56	6,673	6,157	12,886

Management has carried out tests of recoverable amount of goodwill as at 31 March 2020 and 31 December 2019. The cash-generating units of goodwill are segments, which are entities of Inbank group. The breakdown of goodwill between segments is as follows:

In thousands of euros	31.03.2020	31.12.2019
Business segment		
Estonia	238	238
Lithuania	5,919	5,919
Total	6,157	6,157

The recoverable amount of goodwill was identified by value in use, which was determined using detailed pre-tax operating cash flow estimates for the next three years. Discounted cash flow method (DCF) was used for the value in use assessment. The growth rates used for estimates have been derived from the past experience of the growth in respective industry and the management's expectations of the respective growth rates in the estimated future periods in the respective region.

The recoverable amount of the unit does not significantly differ from its carrying amount (including goodwill), therefore, no adjustments have been made to the consolidated statement of financial position.

## Note 11 Other assets

In thousands of euros	31.03.2020	31.12.2019
Financial assets		
Prepaid guarantee amounts	144	70
Accrued receivables	696	1,622
Total financial assets	840	1,692
Non-financial assets		
Prepaid expenses	597	527
Prepaid taxes	0	61
Other assets	118	0
Total non-financial assets	715	588

Prepaid taxes includes prepaid VAT. Accrued receivables are of short-term nature (1 – 30 days).

## Note 12 Loan from credit institution

In thousands of euros	31.03.2020	31.03.2019
Balance in the beginning of reporting period	0	10,429
Repayments during the reporting period	0	-10,429
Balance in the end of reporting balance	0	0

## Note 13 Customer deposits

In thousands of euros	31.03.2020	31.12.2019
Customer deposits		
Deposits from households	355,110	360,125
Deposits from non-financial corporates	11,748	11,997
Deposits from financial corporates	3,179	5,396
Total customer deposits	370,037	377,518

In thousands of euros	31.03.2020	31.12.2019
Deposits by clients' residency		
Estonia	72,513	76,624
Germany	222,547	225,229
Poland	46,863	49,537
Austria	8,999	9,033
Netherlands	17,512	16,586
Other residence	1,603	509
Total deposits by clients' residency	370,037	377,518

In thousands of euros	31.03.2020	31.12.2019
Deposits by contractual maturity		
On demand	4,038	4,242
1-90 days	41,057	30,828
91-365 days	162,652	181,093
1-5 years	162,290	161,355
Total deposits by contractual maturity	370,037	377,518

Deposits include accrued interest liabilities in the amount of EUR 4 512 thousand (31.12.2019: EUR 3 719 thousand).

## Note 14 Debt securities

In thousands of euros	31.03.2020	31.12.2019
Debt securities issued	4,000	4,000
Corrections	10	10
Total debt securities	4,010	4,010

Debt securities	Nominal value	Amount	Issue date	Maturity date
EE3300111483	250,000 EUR	40	14.05.2018	14.03.2019
EE3300111673	250,000 EUR	16	28.02.2019	01.03.2021

The debt securities issued are recorded in the balance sheet at amortised cost.

## Note 15 Subordinated debt securities

In thousands of euros	31.03.2020	31.12.2019
Subordinated debt securities issued	17,653	17,653
Adjustments	-118	-116
<b>Total subordinated debt securities</b>	<b>17,535</b>	<b>17,537</b>

Subordinated debt securities	Nominal price	Amount	Interest rate	Issue date	Maturity date
EE3300110964	1 000 EUR	6,503	7.0%	28.09.2016	28.09.2026
EE3300111590	10 000 EUR	315	8.5%	19.12.2018	perpetual
EE3300001544	1000 EUR	8,000	6.0%	19.12.2019	19.12.2029

Inbank issued 10-year subordinated debt securities with fixed interest rate of 7% on 28 September 2016. The debt securities are listed on Nasdaq Tallinn Stock Exchange. On the prior approval of the Financial Supervision Authority Inbank has the right to redeem the debt securities in five years from the date of issue (28 September 2021).

Inbank issued AT1 bonds (part of Tier 1 capital) on 19 December 2018, raising capital in the amount of EUR 3.15 million with private placement. AT1 capital instrument is a perpetual subordinated financial instrument, for which Inbank AS is obliged to pay quarterly perpetual coupon payments. The coupon payments may be deferred or cancelled at the discretion of Inbank AS. The AT1 bond is accounted for as liability because in specific circumstances Inbank AS is obliged to pay back the debt instrument to investors.

Inbank issued 10-year subordinated debt securities with fixed interest rate of 6% on 19 December 2019. The debt securities are listed on Nasdaq Tallinn Stock Exchange. On the prior approval of the Financial Supervision Authority Inbank has the right to redeem the debt securities in five years from the date of issue (19 December 2024).

The subordinated debt securities issued are recorded in the balance sheet at amortised cost by using the effective interest rate method. In addition to coupon interest rate, the effective interest rate mainly depends on transaction costs, recognised as a change in nominal value of the debt securities and charged to interest expense over a term of five years.

## Note 16 Other liabilities

In thousands of euros	31.03.2020	31.12.2019
<b>Financial liabilities</b>		
Accounts payable	6,375	11,516
Lease liability	677	757
Client prepayments	880	1,272
<b>Total financial liabilities</b>	<b>7,932</b>	<b>13,545</b>
<b>Other liabilities</b>		
Payables to employees	1,621	1,978
Payroll taxes	886	482
Tax liability	373	277
Other liabilities	9	100
<b>Total other liabilities</b>	<b>2,889</b>	<b>2,837</b>

The accounts payable includes liabilities to customers and partners related loan granting activities and payments for operating expenses. Of the amount, EUR 3 680 thousand is Lithuanian branch liability to partners for loan granting activities (31.12.2019 EUR 6 810 thousand).

## Note 17 Contingent liabilities

Inbank had the following loan commitments:

In thousands of euros	31.03.2020	31.12.2019
Revocable commitments		
Liability in contractual amount	9,250	9,992
incl. unused credit card limits	8,483	9,975

## Note 18 Basic and diluted earnings per share

	Q1 2020	3 months 2020	Q1 2019	3 months 2019
Net profit attributable to owners of the parent (EURt)	2,181	2,181	2,022	2,022
Weighted average number of shares	90,344	90,344	87,394	87,394
Basic earnings per share (EUR)	24.14	24.14	23.14	23.14
Weighted average number of shares used for calculating the diluted earnings per shares	95,394	95,394	92,744	92,744
Diluted earnings per share (EUR)	22.86	22.86	21.80	21.80

Basic earnings per share is calculated by dividing the net profit by the weighted average number of shares outstanding.

## Note 19 Share capital

	31.03.2020	31.12.2019
Share capital	903	903
Number of shares issued	90,344	90,344
Nominal share value (EUR)	10	10

## Note 20 Reserves

In thousands of euros	31.03.2020	31.12.2019
Statutory reserve	90	88
Voluntary reserve	1,330	1,330
Share based payments reserve	204	151
Other accumulated comprehensive income	-134	-18
<b>Total reserves</b>	<b>1,490</b>	<b>1,551</b>

A part of the annual net profit is transferred to the statutory reserve in accordance with the Commercial Code.

The general meeting of Inbank AS has previously decided to increase the reserves through voluntary increase of reserves. The voluntary reserve may also be used for increasing the share capital, but not for making payouts to shareholders.

The fair value of share options issued to employees is recognised as a payroll expense over the term of the option programme, and in equity as share-based payments reserve.

## Note 21 Fair value of financial assets and liabilities

In thousands of euros	31.03.2020			31.12.2019		
	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
<b>Assets</b>						
Due from central banks	64,033	64,033	2	83,080	83,080	2
Due from credit institutions	21,809	21,809	2	20,655	20,655	2
Loans and advances	344,799	344,799	3	338,157	338,157	3
Other financial assets	840	840	3	1,692	1,692	3
<b>Total assets</b>	<b>431,481</b>	<b>431,481</b>	<b>0</b>	<b>443,584</b>	<b>443,584</b>	<b>0</b>
<b>Liabilities</b>						
Customer deposits	370,037	370,037	2	377,518	377,518	2
Debt securities issued	4,010	4,010	3	4,010	4,010	3
Subordinated debt securities	15,202	14,472	2	15,403	14,498	2
Subordinated debt securities (AT1)	3,063	3,063	3	3,039	3,039	3
Other financial liabilities	7,932	7,932	3	13,545	13,545	3
<b>Total liabilities</b>	<b>400,244</b>	<b>399,514</b>	<b>0</b>	<b>413,515</b>	<b>412,610</b>	<b>0</b>

The fair value in level 2 and level 3 were estimated using the discounted cash flow valuation technique. The fair value of fixed rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

**The small loans and hire-purchase products** granted to customers are short-term. The effective interest rate of consumer loans granted by Inbank is comparable to the interest rates of comparable loan products offered on the market. In general, the fair market interest and the fair value of loans have not significantly changed over the loan period. The carrying amount of loans does not therefore significantly differ from their fair value. Loans to customers are classified as level 3.

**Loans granted to corporates** are sufficiently short-term and the interest environment has remained stable ever since the issue of loans. In the management's opinion, their fair value does not therefore significantly differ from the net book value. Loans to corporates are classified as level 3.

**Fixed-interest customer deposits** are mostly short-term. The interest rate of term deposits accepted and loans received by Inbank are comparable to the comparable contract interest rates on the market. In general, the fair market interest and the fair value of deposits have not significantly changed over the deposit period. The carrying amount of deposits does not therefore significantly differ from their fair value. These are classified as level 2 in fair value hierarchy.

**Debt securities** were issued at market terms. Management estimates that the interest rates today are comparable therefore fair value of the securities equals carrying amount, classified as level 3 in fair value hierarchy.

**Subordinated debt securities** are listed on the Nasdaq Baltic Stock Exchange and their fair value can be determined based on the transaction history. As a result the debt security is classified as level 2 in fair value hierarchy.

**Subordinated debt securities (AT1)** were issued at market terms and considering that the interest rate environment has been relatively stable, consequently the fair value is close to the carrying value, classified as level 3 in fair value hierarchy.

## Note 22 Related parties

In thousands of euros

Remuneration of the Management Board and Supervisory Board

3 months 2020

277

3 months 2019

391

The following are considered to be the Inbank's related parties:

- members of the Management Board and Supervisory Board, their family members and related companies (hereinafter the management),
- associates,
- parent company or persons that have control or significant influence over the parent company.

In thousands of euros

	31.03.2020			31.12.2019		
Balances as of end of reporting period	Management	Associates	Total	Management	Associates	Total
Loans and advances	0	0	0	1	0	1
Deposits and subordinated debt securities	2,182	0	2,182	2,595	0	2,595

In thousands of euros

	3 months 2020			3 months 2019		
Transactions	Management	Associates	Total	Management	Associates	Total
Interest income	0	0	0	6	0	6
Interest expenses	35	0	35	20	0	20
Services purchased	13	0	13	11	0	11

The interest rate of deposits received from related parties matches with the interest rate offered to customers, interest rates are in between 0.6% and 2.25% (2019: 0.5 and 3.25%).

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